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粵海廣南(集團)有限公司

GDH GUANGNAN (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 01203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

Unaudited financial highlights for the six months ended 30 June

	2021	2020	Change
	HK\$'000	HK\$'000	
Revenue	<u>1,894,942</u>	<u>1,130,089</u>	67.7%
Profit from operations	<u>65,940</u>	<u>39,638</u>	66.4%
Profit attributable to shareholders	<u>47,146</u>	<u>46,610</u>	1.1%
Basic earnings per share	<u>HK 5.2 cents</u>	<u>HK 5.1 cents</u>	2.0%
Interim dividend per share	<u>HK 1.0 cent</u>	<u>HK 1.0 cent</u>	0.0%

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

For the first half of 2021, the Group's unaudited consolidated profit attributable to shareholders was HK\$47,146,000, representing an increase of 1.1% compared with HK\$46,610,000 for the same period last year. The basic earnings per share was HK\$5.2 cents, an increase of 2.0% from HK\$5.1 cents for the same period last year.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") declares the payment of an interim dividend for 2021 of HK1.0 cent per share (2020: HK1.0 cent per share).

BUSINESS REVIEW

In the first half of 2021, the Group's consolidated revenue was HK\$1,894,942,000, representing an increase of HK\$764,853,000 or 67.7% from HK\$1,130,089,000 for the same period last year. Profit from operations was HK\$65,940,000, representing an increase of HK\$26,302,000 or 66.4% from HK\$39,638,000 for the same period last year.

As regards the fresh and live foodstuffs business, due to the rapid recovery of the live pigs production in Mainland China, the price of live pigs is at a downward trend. Notwithstanding the decrease in the price of live pigs in the first half of 2021 as compared to the same period last year, the number of live pigs sold increased, leading to an increase in profit of live pigs' distribution and self-operated business. The new slaughter business and the chilled meat wholesale and retail business in Mainland became new profit growth points. As the supply and demand of live pigs increased significantly, the slaughter of live pigs in the first half of the year exceeded 190,000 heads, together with the new chilled beef wholesale, contributing the increased profit. Nevertheless, a decrease in profits was recorded by the two associates which are engaged in pig farming and sales of pigs as result of the decrease in prices of live pigs. The revenue was HK\$522,184,000, an increase of HK\$350,680,000 or 204.5% as compared to the same period last year. The segment profit was HK\$51,119,000, a decrease of HK\$6,054,000 or 10.6% as compared to the same period last year. The Group's overall market share in the live pigs supply into Hong Kong was about 47% in the first half of 2021.

In respect of our tinsplating business, the industry competition is intense. As the COVID-19 pandemic continues to ease in Mainland China and the economy is gradually recovering, the demand for tinsplate is gradually increasing. Coupled with rising prices of bulk raw materials, the sales volume and selling prices of tinsplate products increased as compared to the same period last year due to inflationary pressures. The profit also increased accordingly. Sales volume of tinsplate products in the first half of 2021 increased by 12,261 tonnes, representing an increase of 8.7% as compared to the same period last year. Selling price of tinsplate products increased during the period. The revenue was HK\$1,361,997,000, an increase of HK\$413,571,000 or 43.6% as compared to the same period last year. The segment profit was HK\$29,134,000, an increase of HK\$17,011,000 or 140.3% as compared to the same period last year.

BUSINESS REVIEW (Continued)

In respect of the property leasing business, the rental income for the first half of 2021 increased by HK\$602,000 as compared to the same period last year, and the segment profit decreased by HK\$823,000 as compared to the same period last year. The value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$2,900,000 were recorded for the period (30 June 2020: HK\$9,341,000).

For the associates, Yellow Dragon Food Industry Co., Ltd. (“Yellow Dragon”) recorded an increase in loss as compared to the same period last year, mainly due to the increased cost of the raw material - corn and the provision of inventories made in the first half year of 2021. Yellow Dragon recorded a loss of HK\$36,918,000 for the period. In addition, the price of pigs decreased significantly in the first half of 2021 as compared to the same period last year. The profit for the two associates which are engaged in pig farming and sales of pigs decreased as compared to the same period last year. The Group’s share of profits from these two associates for the period was a total of HK\$13,496,000.

Fresh and Live Foodstuffs

GDH Guangnan Hong Company Limited (“GDH Guangnan Hong”) is a wholly-owned subsidiary of the Company. GDH Guangnan Hong holds 100% interest in GDH Guangnan Hong (Guangdong) Company Limited (“GDH Food”), 65% interest in GDH Food (Foshan) Company Limited (“GDH Food Foshan”), 51% interest in GDH Guangnan Live Pigs Trading Limited, a 13.21% interest in an associate, Hubei Jinxu Agriculture Development Co., Ltd. (“Hubei Jinxu”) and a 34% interest in an associate, Guangdong Zijin Baojin Livestock Co., Ltd. (“Guangdong Baojin”).

The fresh and live foodstuffs business accounted for 27.6% of the Group’s revenue. In the first half of 2021, the revenue of the fresh and live foodstuffs business amounted to HK\$522,184,000, representing an increase of HK\$350,680,000 or 204.5% as compared to the same period last year. Together with the share of profits of two associates, Hubei Jinxu and Guangdong Baojin, with a total of HK\$13,496,000 (30 June 2020: HK\$31,391,000), the segment profit was HK\$51,119,000, representing a decrease of HK\$6,054,000 or 10.6% as compared to the same period last year. Notwithstanding the decrease in the price of live pigs in the first half of 2021 as compared to the same period last year, the number of live pigs sold increased, leading to an increase in profit of live pigs’ distribution and self-operated business. The new slaughter business and the chilled meat wholesale and retail business in Mainland became new profit growth points. As the supply and demand of live pigs increased significantly, the number of slaughtered live pigs in the first half of the year exceeded 190,000 heads, together with the new chilled beef wholesale, contributing the increased profit. Nevertheless, a decrease in profits was recorded by the two associates which are engaged in pig farming and sales of pigs as result of the decrease in prices of live pigs.

Through continuous optimisation of the business workflow, proactively strengthened communication with governmental authorities, suppliers, industry participants and customers, enhanced service standards and actively maintained the market supply, the overall market share in live pig supply into Hong Kong was about 47%, together with the active expansion in the chilled meat wholesale and retail business in Mainland, both of them provided a certain contribution to the earnings of the Group.

In addition, GDH Food Foshan has commenced construction of a meat processing plant in Nanhai District, Foshan City this year and is expected to be put into operation in early 2022. After the commissioning, it will be a high-standard slaughterhouse integrating pig, cattle and sheep slaughtering in Nanhai District. The project capacity is designed to slaughter 6,000 pigs per day and about 2.18 million pigs per year, 200 cattle per day and about 73,000 cattle per year, and 1,000 sheep per day and about 90,000 sheep per year.

Tinplating

GDH Zhongyue (Zhongshan) Tinplate Industry Co., Ltd. (“GDH Zhongyue”) is the wholly-owned subsidiary of the Company. The Company holds 66% interest in the subsidiary, GDH Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd. (“GDH Zhongyue Posco”), while the remaining 34% is held by POSCO Co., Ltd., an internationally renowned iron and steel enterprise. Currently, the annual production capacity of tinplate products and blackplates of the Group are 490,000 tonnes and 140,000 tonnes respectively, of which 290,000 tonnes of tinplate products and 140,000 tonnes of blackplates are from GDH Zhongyue’s capacity while 200,000 tonnes of tinplate products are from GDH Zhongyue Posco’s capacity.

The revenue of the tinplating business accounted for 71.9% of the Group’s revenue. In the first half of 2021, with the increased domestic demand in Mainland China, the Group produced 159,640 tonnes of tinplate products, representing an increase of 15.2% as compared to the same period last year. Among which, GDH Zhongyue and GDH Zhongyue Posco produced 106,267 tonnes and 53,373 tonnes respectively, an increase of 9.6% and 28.2% respectively as compared to the same period last year. In addition, the Group sold 153,143 tonnes of tinplate products, an increase of 8.7% as compared to the same period last year, of which, GDH Zhongyue and GDH Zhongyue Posco sold 102,053 tonnes and 51,090 tonnes respectively, an increase of 3.8% and 20.0% respectively as compared to the same period last year. Selling price of tinplate products increased year on year during the period. The revenue for the period was HK\$1,361,997,000, an increase of HK\$413,571,000 or 43.6% as compared to the same period last year. The segment profit was HK\$29,134,000, an increase of HK\$17,011,000 or 140.3% as compared to the same period last year.

Due to the intense market competition, coupled with the impact of the foreign epidemic situation and the cancellation of the export rebate policy on chrome-plated irons, the Group increased domestic sales, and strived to strengthen the supply chain management of raw material procurement by increasing the proportion of domestic raw material procurement, so as to effectively control procurement costs. Meanwhile, the Group strived to enhance product quality and enrich product mix to increase added values, which in return gains customers’ recognition. The Group also strived to make every effort in market expansion to enlarge its customer base. Accordingly, profit growth would be attained leveraging on such marketing strategies covering the whole value chain.

Property Leasing

The Group’s leasing properties comprise the plant and dormitories of GDH Zhongyue and the office units in Hong Kong. In the first half of 2021, the property occupancy rate for the property leasing business of the Group was 91.6%, representing an increase of 3.6 percentage points as compared to the same period last year. Revenue was HK\$10,761,000, an increase of 5.9% as compared to the same period last year. The segment profit amounted to HK\$6,526,000, a decrease of 11.2% as compared to the same period last year. In addition, the value of investment properties held by the Group decreased. Valuation losses on investment properties of HK\$2,900,000 were recorded for the period.

Yellow Dragon

The Group holds a 40% interest in an associate, Yellow Dragon.

In the first half of 2021, Yellow Dragon recorded a sales volume of 129,161 tonnes of corn starch, its major product, representing an increase of 2.7% as compared to the same period last year. Product selling prices increased during the period. Revenue amounted to HK\$885,308,000, an increase of 66.6% as compared to the same period last year. Due to the decrease in gross profit per unit, loss increased as compared to the same period last year. Yellow Dragon recorded a loss of HK\$36,918,000 in the first half of 2021. As the Company holds a 40% interest in Yellow Dragon, the Group's share of loss was HK\$14,767,000 (30 June 2020: HK\$5,077,000).

FINANCIAL POSITION

As at 30 June 2021, the Group's total assets and total liabilities amounted to HK\$3,930,851,000 and HK\$1,087,715,000, representing an increase of HK\$615,411,000 and HK\$556,683,000 respectively when compared with the positions at the end of 2020. Net current assets decreased from HK\$1,471,485,000 at the end of 2020 to HK\$1,430,410,000 as at 30 June 2021. The current ratio (current assets divided by current liabilities) decreased from 4.0 at the end of 2020 to 2.4 as at 30 June 2021.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at 30 June 2021 was HK\$893,170,000, representing a decrease of 0.2% when compared with the position at the end of 2020, of which 79.0% was denominated in Renminbi, 3.6% was denominated in United States Dollars while the remaining balance was mainly denominated in Hong Kong Dollars. Interest income was HK\$4,501,000, representing a decrease of HK\$6,403,000 year on year.

As at 30 June 2021, the group's net cash (being pledged deposits and cash and cash equivalents less borrowings) was HK\$689,375,000, a decrease of 19.8% comparing with the position at the end of 2020. As the Group was in a net cash position, no gearing ratio was presented (31 December 2020: net cash position).

As at 30 June 2021, the Group's available banking facilities which are used for working capital and trade finance purposes amounted to HK\$1,118,781,000, of which HK\$578,188,000 was utilised and HK\$540,593,000 was unutilised. Currently, the cash reserves and available banking facilities, as well as the steady cash flow generated from operations, are sufficient to meet the Group's needs and obligations for business operations.

Capital Expenditure and Capital Commitments

The Group's capital expenditure in the first half of 2021 amounted to HK\$123,459,000 (30 June 2020: HK\$13,432,000). The Group's capital commitments at 30 June 2021 was amounted to HK\$557,580,000 (31 December 2020: HK\$636,186,000), mainly for the construction of meat processing plant of GDH Food Foshan as well as the renovation of production facilities of GDH Zhongyue and GDH Zhongyue Posco. It is expected that the capital expenditure for 2021 will be approximately HK\$573,000,000.

Further Capital Injection in an Associate

On 22 June 2021, GDH Guangnan Hong Investment Company Limited (“Guangnan Hong Investment”), which is a wholly-owned subsidiary of GDH Guangnan Hong, Guangdong Foodstuffs Imp.& Exp. (Group) Corporation, Guangzhou Jiusheng Agricultural Technology Co., Ltd and Guangdong Baojin entered into a Capital Increase Agreement for further capital injection of Guangdong Baojin. Pursuant to the agreement, each shareholder agreed to subscribe for the registered capital of Guangdong Baojin on a pro rata basis to its existing shareholding. The consideration of Guangnan Hong Investment was RMB119,000,000. Upon completion of the Subscriptions, certain undistributed profits of Guangdong Baojin as at 31 December 2020 in the aggregate amount of RMB76,682,000 will be converted into the registered capital of Guangdong Baojin on a pro rata basis to the shareholding of each of shareholders. Upon completion of the capital increase in August 2021, the proportion of the existing shareholding in Guangdong Baojin will remain unchanged and Guangnan Hong Investment will remain interested in 34% of the equity interest of Guangdong Baojin.

Apart from the above, the Group had no material acquisitions and disposals of investments during the first half of 2021.

Pledge of Assets

As at 30 June 2021, deposits at banks of HK\$30,331,000 (31 December 2020: HK\$24,123,000) were pledged as securities for bills payable and letters of credit.

As at 30 June 2021, an amount of HK\$60,090,000 (2020: HK\$59,410,000) among the unutilised banking facilities were secured by mortgages over land and buildings with an aggregate carrying value of HK\$103,534,000 (2020: HK\$106,315,000). Other than the above, none of the assets of the Group was pledged.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

Exchange Rate and Interest Rate Exposures

The Group’s operations are mainly conducted in Mainland China and Hong Kong. The Group is exposed to foreign currency risk primarily through purchases from overseas suppliers and export sales to overseas customers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollars against Renminbi. In respect of trade receivables and payables denominated in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates or entering into forward foreign exchange contracts where necessary to address short-term imbalances.

In view of the continuous fluctuation of Renminbi against the United States Dollars, the Group has enhanced research and monitoring of the foreign exchange market in order to reduce the exposure to exchange rate risks, and will take appropriate measures to hedge the risks when necessary. As at 30 June 2021, forward foreign exchange contracts of USD2,000,000 (equivalent to HK\$15,600,000) against Renminbi were held by the Group to hedge against currency risk in respect of export sales. As at 31 December 2020, forward foreign exchange contracts of USD3,500,000 (equivalent to HK\$27,300,000) against Renminbi were held by the Group.

The Group's interest rate risk arises primarily from pledged deposits, cash and cash equivalents, loan from a fellow subsidiary and lease liabilities. Lendings and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As the Group considers that its current exposure to interest rate risk is not material, no interest rate hedging has been carried out. The management closely monitors the changes in market interest rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 1,081 full-time employees, an increase of 10 from 1,071 at the end of 2020. 177 employees were based in Hong Kong and 904 were based in Mainland China. Staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance and with reference to the prevailing industry practices. In 2021, the Group continued to implement control over the headcount, organisational structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management is in place for accruing performance bonus according to various profit rankings and with reference to net cash inflow from operations and profit after taxation based on the assessment of the operating results of each subsidiary. In addition, bonuses are rewarded to the management and key personnel through assessment of individual performance. These incentive schemes have effectively improved the morale of the staff members.

PROSPECTS

The world economy is currently in the recovery phase, but due to the impact of repeated COVID-19 outbreaks, the pace of economic recovery is different in domestic and overseas. Most Western countries implement loose monetary policies, and global inflationary pressures are steadily increasing. At present, the economic fundamentals are still facing many unstable and uncertain factors, which will bring certain pressure on the operation of the Group.

As for the fresh and live foodstuffs business, the Group will further consolidate the development foundation of the wholesale and retail trade business, and focus on grasping the opportunities of the modern agricultural industry. Focusing on the "vegetable basket" market in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will invest in the construction of an integrated whole industry chain of "livestock and poultry breeding - slaughter - cold chain transportation - fresh marketing", cultivate new profit growth points, establish a multi-level sales channel system for high-quality targets such as livestock and poultry breeding, slaughtering and processing, cold chain logistics, etc., explore new business models such as e-commerce and new food retail, so as to achieve to leapfrog development in the entire chain of fresh products.

In terms of livestock and poultry breeding, the Group will mainly stabilise the existing agency business operations for livestock supply to Hong Kong by adopting a self-breeding model to strategically control its own pig resources, strengthen the core links of breeding, and ensure the safe and stable supply of fresh agricultural products in the Guangdong-Hong Kong-Macao Greater Bay Area. The capital injection in Guangdong Baojin by the Group has laid a foundation for strengthening control of live pigs breeding and expanding the modern agricultural industry chain.

As for butchery and processing and cold chain logistics, the Group will strengthen the intermediate chain links such as meat processing plants and cold storage for the fresh and live foodstuffs, forming a synergistic relationship with upstream breeding and downstream terminals, and continue to provide the assured, high-quality, safe and fresh or processed products to consumers. The Group has accelerated the construction of the meat processing plant project in Foshan to establish a cornerstone for the expansion of the meat processing business.

In terms of sales networks, the Group actively introduces new business models such as e-commerce and new retail, and plans to gradually realise a multilevel sales network in the “9+2” urban cluster, with an aim to have comprehensive coverage of multiple sales points in the Guangdong-Hong Kong-Macao Greater Bay Area and other markets. The Group has in-depth plans to set up a number of fresh food retail chain stores and brand franchise stores in the Greater Bay Area and expand the distribution network in Hong Kong vigorously, thereby carrying out meat and non-staple food businesses and strengthening its business penetration and continuing to expand its business scale. A new online and offline integrated retail business has been launched by GDH Food, which has comprehensively promoted the construction of food sales channels in Mainland China.

In respect of the tinsplating business, the Group adheres to the market-oriented, innovation-driven development strategy, continues to improve the core competitiveness of the Group's product quality, craftsmanship and technology, vigorously explores ways to extend the product chain and value chain, and builds itself into a tinsplate service provider with both high quality and efficiency to meet customer needs.

Faced with the current unclear situation of the COVID-19 pandemic, as well as policy adjustments for fresh and live food and tinsplate businesses, market fluctuations, and other systemic risks, the Group will continue to pay attention to the relevant impacts, adjust development strategies in a timely manner, and strengthen supervision of business operations and risk prevention and control, in order to ensure the development of employees and meet customer needs. Leveraging on its sound financial condition and abundant capital resources, the Group will seize every opportunity for development and cooperation with an aim to enhance its scale of corporate revenue and profitability, thereby maximizing value for its shareholders.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021, which have been reviewed by the Company's audit committee.

Consolidated Income Statement

For the six months ended 30 June 2021 - unaudited

(Expressed in Hong Kong dollars)

		<i>Six months ended 30 June</i>	
		<i>2021</i>	<i>2020</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue	3	1,894,942	1,130,089
Cost of sales		(1,709,770)	(1,010,734)
Gross profit		185,172	119,355
Other revenue	4	7,658	12,767
Other net gains/(losses)	5	1,525	(1,412)
Selling and distribution costs		(46,586)	(27,989)
Administrative expenses		(81,829)	(63,083)
Profit from operations		65,940	39,638
Valuation losses on investment properties	10(b)	(2,900)	(9,341)
Finance costs	6(a)	(1,744)	(1,416)
Share of profits less losses of associates		(1,271)	26,314
Profit before taxation	6	60,025	55,195
Income tax	7	(6,023)	(9,396)
Profit for the period		54,002	45,799
Attributable to:			
Equity shareholders of the Company		47,146	46,610
Non-controlling interests		6,856	(811)
Profit for the period		54,002	45,799
Interim dividend	8(a)	9,076	9,076
Earnings per share			
Basic	9(a)	5.2 cents	5.1 cents
Diluted	9(b)	5.2 cents	5.1 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021 - unaudited
(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit for the period	<u>54,002</u>	<u>45,799</u>
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	14,856	(28,763)
– associates outside Hong Kong	4,067	(5,447)
– tax (expenses)/benefit related to a subsidiary outside Hong Kong	<u>(583)</u>	<u>777</u>
Net-of-tax amount	<u>18,340</u>	<u>(33,433)</u>
Total comprehensive income for the period	<u><u>72,342</u></u>	<u><u>12,366</u></u>
Attributable to:		
Equity shareholders of the Company	63,538	15,256
Non-controlling interests	<u>8,804</u>	<u>(2,890)</u>
Total comprehensive income for the period	<u><u>72,342</u></u>	<u><u>12,366</u></u>

Consolidated Statement of Financial Position

At 30 June 2021

(Expressed in Hong Kong dollars)

		At 30 June 2021 Unaudited \$'000	At 31 December 2020 Audited \$'000
Non-current assets			
Investment properties	10	268,919	450,265
Other property, plant and equipment	10	<u>914,611</u>	<u>620,345</u>
		1,183,530	1,070,610
Goodwill		1,415	1,415
Interest in associates		<u>282,005</u>	<u>279,209</u>
		1,466,950	1,351,234
Current assets			
Inventories	11	520,118	315,091
Trade and other receivables, deposits and prepayments	12	1,020,168	729,883
Current tax recoverable		114	-
Pledged deposits		30,331	24,123
Cash and cash equivalents	13	<u>893,170</u>	<u>895,109</u>
		2,463,901	1,964,206
Current liabilities			
Trade and other payables	14	791,442	429,885
Loan from bank		150,000	-
Loan from a fellow subsidiary		84,126	59,410
Lease liabilities		4,631	2,013
Current tax payable		<u>3,292</u>	<u>1,413</u>
		1,033,491	492,721
Net current assets		1,430,410	1,471,485
Total assets less current liabilities		2,897,360	2,822,719
Non-current liabilities			
Lease liabilities		12,030	717
Deferred tax liabilities		<u>42,194</u>	<u>37,594</u>
		54,224	38,311
Net assets		2,843,136	2,784,408
Capital and reserves			
Share capital		459,651	459,651
Reserves		<u>2,168,270</u>	<u>2,118,346</u>
Total equity attributable to equity shareholders of the Company		2,627,921	2,577,997
Non-controlling interests		<u>215,215</u>	<u>206,411</u>
Total equity		2,843,136	2,784,408

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2021 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The financial information relating to the financial year ended 31 December 2020 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform - phase 2

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The above amendments do not have an impact on this interim financial report.

3. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Tinplating : this segment produces and sells tinplates and related products which are mainly used as packaging materials for food processing manufacturers.
- Fresh and live foodstuffs : this segment distributes, purchases and sells fresh, live and chilled foodstuffs, and meat processing.
- Property leasing : this segment leases office and industrial premises to generate rental income.

3. Revenue and segment reporting (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of goods		
- Tinplate products	1,361,997	948,426
- Fresh and live foodstuffs	475,610	130,637
	1,837,607	1,079,063
Commission income from the distribution of fresh and live foodstuffs	46,574	40,867
Revenue from other sources		
Rental income from property leasing	10,761	10,159
	1,894,942	1,130,089
Disaggregated by geographical location of customers:		
Hong Kong (place of domicile)	214,382	190,161
Mainland China	1,280,561	493,726
Asian countries (excluding Mainland China and Hong Kong)	226,156	267,558
Other countries	173,843	178,644
	1,680,560	939,928
	1,894,942	1,130,089

The geographical analysis above includes property rental income from external customers in Hong Kong and in Mainland China for the six months ended 30 June 2021 of \$ 3,288,000 (30 June 2020: \$3,950,000) and \$7,473,000 (30 June 2020: \$6,209,000) respectively.

3. Revenue and segment reporting (Continued)

(b) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	<i>Tinplating</i>		<i>Fresh and live foodstuffs</i>		<i>Property leasing</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>For the six months ended 30 June</i>								
Reportable segment revenue	<u>1,361,997</u>	<u>948,426</u>	<u>522,184</u>	<u>171,504</u>	<u>10,761</u>	<u>10,159</u>	<u>1,894,942</u>	<u>1,130,089</u>
Reportable segment profit	<u>29,134</u>	<u>12,123</u>	<u>51,119</u>	<u>57,173</u>	<u>6,526</u>	<u>7,349</u>	<u>86,779</u>	<u>76,645</u>
<i>As at 30 June/ 31 December</i>								
Reportable segment assets -including interest in associates	<u>2,320,389</u>	<u>1,935,619</u>	<u>633,454</u>	<u>498,919</u>	<u>271,152</u>	<u>452,114</u>	<u>3,224,995</u>	<u>2,886,652</u>
	<u>-</u>	<u>-</u>	<u>176,191</u>	<u>160,309</u>	<u>-</u>	<u>-</u>	<u>176,191</u>	<u>160,309</u>
Reportable segment liabilities	<u>822,537</u>	<u>447,624</u>	<u>51,896</u>	<u>33,328</u>	<u>39,672</u>	<u>40,563</u>	<u>914,105</u>	<u>521,515</u>

(c) Reconciliations of reportable segment profit or loss, assets and liabilities

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers and associates	86,779	76,645
Unallocated income and expenses	(7,343)	(5,616)
Valuation losses on investment properties	(2,900)	(9,341)
Finance costs	(1,744)	(1,416)
Share of loss of an associate not attributable to any segment	(14,767)	(5,077)
Consolidated profit before taxation	<u>60,025</u>	<u>55,195</u>

3. Revenue and segment reporting (Continued)

(c) Reconciliations of reportable segment profit or loss, assets and liabilities (Continued)

	<i>At</i> 30 June 2021 \$'000	<i>At</i> 31 December 2020 \$'000
Assets		
Reportable segment assets	3,224,995	2,886,652
Interest in an associate not attributable to any segment	105,814	118,900
Unallocated assets	600,042	309,888
Consolidated total assets	3,930,851	3,315,440
Liabilities		
Reportable segment liabilities	914,105	521,515
Unallocated liabilities	173,610	9,517
Consolidated total liabilities	1,087,715	531,032

4. Other revenue

	<i>Six months ended 30 June</i>	
	2021	2020
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	4,501	10,904
Subsidies received	491	457
Others	2,666	1,406
	7,658	12,767

5. Other net gains/(losses)

	<i>Six months ended 30 June</i>	
	2021	2020
	\$'000	\$'000
Net realised and unrealised exchange gain	1,413	1,467
Net gains / (losses) on forward foreign exchange contracts	291	(2,893)
Others	(179)	14
	1,525	(1,412)

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>(a) Finance costs</i>		
Interest on bank loan	149	1,124
Interest on loan from a fellow subsidiary	1,243	160
Interest on lease liabilities	352	59
Other interest expense	-	73
	<u>1,744</u>	<u>1,416</u>
<i>(b) Staff costs</i>		
Net contributions to defined contribution retirement plans	9,025	4,037
Salaries, wages and other benefits	98,387	86,227
	<u>107,412</u>	<u>90,264</u>
<i>(c) Other items</i>		
Depreciation charge		
- Owned property, plant and equipment	30,029	27,094
- Right-of-use assets	3,006	2,767
Rentals receivable from investment properties less direct outgoings of \$ 684,000 (30 June 2020: \$592,000)	(10,077)	(9,567)
	<u>(10,077)</u>	<u>(9,567)</u>

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>Note</i>	
	<i>\$'000</i>	<i>\$'000</i>
Current tax – Hong Kong		
Provision for the period	<u>1,451</u>	<u>2,156</u>
Current tax – the People’s Republic of China (the “PRC”)		
Provision for the period	<u>555</u>	<u>346</u>
Deferred tax		
Origination and reversal of temporary differences	<u>4,107</u>	<u>6,894</u>
	<u>(i) 6,023</u>	<u>9,396</u>

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2020: 16.5%) to the six months ended 30 June 2021.

Income tax for subsidiaries established and operating in the PRC is calculated using the estimated annual effective tax rate of 15% or 25% that is expected to be applicable in the relevant provinces or economic zones in the PRC.

8. Dividends

- (a) *Dividends payable to equity shareholders of the Company attributable to the interim period:*

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared and payable/paid after the interim period of 1.0 cent (30 June 2020: 1.0 cent) per ordinary share	<u>9,076</u>	<u>9,076</u>

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:*

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of 1.5 cents (30 June 2020: 3.0 cents) per ordinary share	<u>13,614</u>	<u>27,228</u>

9. Earnings per share

- (a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of \$47,146,000 (30 June 2020: \$46,610,000) and 907,593,000 (30 June 2020: 907,593,000) ordinary shares in issue during the period.

- (b) *Diluted earnings per share*

There were no potential dilutive shares in existence during the six months ended 30 June 2021 and 2020.

10. Investment properties and other property, plant and equipment

(a) *Acquisitions and transfers of owned assets*

During the six months ended 30 June 2021, the Group had acquired land use rights of \$74,098,000 (30 June 2020: \$NIL) and additions to property, plant and equipment with a cost of \$49,361,000 (30 June 2020: \$13,432,000). Also, the Group transferred from investment properties to other property, plant and equipment amounted to \$181,700,000 (30 June 2020: \$Nil) at fair value upon change in use.

(b) *Investment properties*

The valuations of investment properties carried at fair value were updated at 30 June 2021 by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, using same valuation techniques as were used by the valuer when carrying out the December 2020 valuations. As a result of the update, valuation losses of \$2,900,000 (30 June 2020: \$9,341,000) have been recognised in profit or loss for the period.

11. Inventories

	<i>At</i> 30 June 2021 \$'000	<i>At</i> 31 December 2020 \$'000
Raw materials, spare parts and consumables	321,195	155,298
Work in progress	50,949	63,153
Finished goods	147,974	96,640
	<u>520,118</u>	<u>315,091</u>

12. Trade and other receivables, deposits and prepayments

As of the end of the reporting period, the ageing analysis of trade debtors, bills receivable and trade balances due from a related company (which are included in trade and other receivables, deposits and prepayments), net of loss allowance, is as follows:

	<i>At</i> 30 June 2021 \$'000	<i>At</i> 31 December 2020 \$'000
Within 1 month	574,811	537,468
1 to 3 months	29,883	26,378
Over 3 months	612	991
	<u>605,306</u>	<u>564,837</u>

In respect of trade receivables relating to the tinplating business, deposits, prepayments and bills or letters of credit are normally obtained from customers. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 1 to 3 months from the date of billing or the date of receipt of goods by the customers. For the foodstuffs trading business, the credit period usually ranges from 1 to 2 months. For the distribution of fresh and live foodstuffs business, the credit period is usually less than 1 month. Cash deposits or financial guarantees from other parties are required for certain customers. For the Group's property leasing business, rental is collected 1 month in advance and rental deposits are obtained from the tenants. In general, debtors of the Group with balances that are more than 1 month overdue are requested to settle all outstanding balances before any further credit is granted.

13. Cash and cash equivalents

	<i>At</i> 30 June 2021 \$'000	<i>At</i> 31 December 2020 \$'000
Deposits with banks	564,348	530,940
Cash at bank and in hand	328,822	364,169
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	<u>893,170</u>	<u>895,109</u>

14. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors, bills payable and trade balances due to a related company and an associate (which are included in trade and other payables) is as follows:

	<i>At</i> 30 June 2021 \$'000	<i>At</i> <i>31 December</i> <i>2020</i> <i>\$'000</i>
Due within 1 month or on demand	282,936	195,151
Due after 1 month but within 3 months	96,370	48,110
Due after 3 months but within 1 year	189,750	62,437
	<u>569,056</u>	<u>305,698</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2021.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend for 2021 of HK1.0 cent per share (2020: HK1.0 cent per share). The interim dividend will be paid on Monday, 25 October 2021 to the shareholders whose names appear on the register of members of the Company on Thursday, 7 October 2021.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 6 October 2021 and Thursday, 7 October 2021. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 5 October 2021.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2021. The interim financial report is unaudited, but has been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

By Order of the Board
Chen Benguang
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board is composed of three executive directors, namely Mr. Chen Benguang, Mr. He Jinzhou and Mr. Chau Wang Kei; one non-executive director, namely Mr. Wang Longhai; and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.